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American Bankers to face multiple state sanctions

FRANKFORT, Ky. - Kentucky Insurance Commissioner George Nichols III today announced that a coalition of states have joined together to enforce a comprehensive compliance plan and monetary sanctions against Miami, Fla.-based American Bankers Insurance Group, Inc. (ABIG).

Of the 50 states in which ABIG is licensed to do business, 39 states have participated in this multi-state market conduct examination. These states have jointly signed a consent order to resolve possible insurance code violations by ABIG. The company could face up to \$15 million in monetary sanctions as a result of the regulatory agreement. Twelve million is due immediately and the remaining three million may be collected upon re-examination. No state will receive in excess of \$1 million as a result of this sanction; Kentucky will receive approximately \$761,141.

Discussions relating to this first multi-state examination began in January 1998, when commissioners from across the country discussed financial modernization and specific company readiness within the various states. It was determined from these conversations that a number of the states represented had experienced the same or similar problems with a small number of insurers in their states. As a result, the states began a multi-state market conduct examination in May 1998. Commissioner Nichols and Minnesota Insurance Commissioner David Gruenes spearheaded the effort to look at the practices of this company and their compliance with state laws.

"I believe this action is another example of the success that may be accomplished when state regulators communicate and work together to coordinate their efforts and focus on the issues facing consumers," Commissioner Nichols said. "This cooperative effort would not have been possible without the assistance and support of the National Association of Insurance Commissioners (NAIC) and its staff." States participating in the consent agreement are: Alabama, Arkansas, Colorado, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington D.C., Washington state, West Virginia and Wisconsin.

"This multi-state market conduct examination has been a coordinated approach of many states," Commissioner Gruenes said. "The result reflects the commitment of state regulators to sound insurance regulation and consumer protection."

The compliance plan requires that ABIG provide monthly reports to the states on the progress of the plan. An on-site market conduct examination, made up of a team of representatives from a number of states participating in this action, will be initiated in November 1999. At that time, if the company fails to meet any part of the requirements of the individual states, it will be in violation of the agreement and the remaining three million dollars will be forfeited.

"As state insurance commissioners, we are charged to enforce the law, and companies doing business in our states must comply with those laws," Commissioner Nichols said. "I hope this will be a wake-up call to companies that we cannot tolerate disregard of the laws designed to protect the public."

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